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Ontario

BY E-MAIL

January 13, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Hydro One Remote Communities Inc. ("Hydro One Remotes")
2014 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0142

In accordance with Procedural Order #1, please find attached Board Staff interrogatories in the above proceeding. Hydro One Remotes has been copied on this filing.

Hydro One Remotes' responses to interrogatories are due by January 27, 2014.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst – Applications & Regulatory Audit

Encl.

Hydro One Remote Communities Inc.
EB-2013-0142
Board Staff Interrogatories

1. As stated in the *Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* (the "*Report*"), issued on November 21, 2013, expected productivity gains will be included in each of the three rate setting methods (i.e. Price Cap IR, Annual IR Index and Custom IR). This is to help ensure that the benefits from increased productivity are appropriately shared throughout the rate setting term between the distributor/shareholder and its customers. Under Price Cap IR and the Annual Index, an X-factor will be used for this purpose.

   Under the Board's policies as set out in the *Report*, a distributor will be assigned a 0.0% stretch factor when its actual costs are 25% or more below the predicted costs as estimated in the benchmarking analysis (i.e., the distributor is a superior cost performer).

   Hydro One Remotes is excluded from the benchmarking analysis because their RRR data is not available (as noted in the *Report*). As a result, the Board is not able to determine whether Hydro One Remotes is a superior cost performer based on the Board's criteria.

   (a) Is it Hydro One Remotes view that not-for-profit monopolies should not have to share any efficiency gains with their ratepayers? If so, why?

   (b) Please elaborate further on why Hydro One Remotes believes it is appropriate to be given the lowest stretch factor.

   (c) Absent any RRR data, is Hydro One Remotes solely relying on its unique characteristics to warrant approval of a 0.0% stretch factor? If available, please provide measureable efficiencies that Hydro One Remotes has or is expected to achieve.

2. The Board has determined inflation and productivity factors of 1.7% and 0% respectively, for 2014 rates. As well, the Board has determined a range of stretch factors. Please complete the following chart reflecting Hydro One Remotes' estimated revenue in 2014 for each of the stretch factors below.

	Board-Approved Stretch Factors				
	0.0%	**0.15%**	**0.30%**	**0.45%**	**0.60%**
Estimated 2014 Revenue Collected through Rates Adjusted by Stretch Factor					

3. As stated in the *Report*, the approach to assigning stretch factors to distributors is based on a distributor's actual costs relative to its predicted costs as estimated by benchmarking analysis. The approach does not compare one distributor to another distributor. In its updated Application filed on December 20, 2013, Hydro One Remotes states that it has minimal ability to implement marked productivity initiatives given its unique franchise and that the majority of its costs are due to forces entirely outside of its control (e.g. fuel, weather, winter road access). Also in its Application, Hydro One Remotes states that implementation of a stretch factor of 0.0% is in keeping with the actual inflationary forces experienced by Remotes.

   (a) Is it Hydro One Remotes' view that it cannot achieve continuous improvement in its business and operations, which are within its control, resulting in efficiencies and lower distribution costs? If so, please explain.

4. Under the 3rd Generation IR, Hydro One Remotes was subject to a rate adjustment that reflected a 0.2% efficiency gain to benefit ratepayers. Please explain why Hydro One Remotes believes it is appropriate not to maintain for its ratepayers some level of benefits flowing from continued efficiency gains, for example, a 0.15% or 0.3% stretch factor.